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**FISCAL IMPACT STATEMENT**

**LS 7160**

**BILL NUMBER:** HB 1360

**NOTE PREPARED:** Feb 17, 2009

**BILL AMENDED:**

**SUBJECT:** Alternative Energy Incentives for REMCs.

**FIRST AUTHOR:** Rep. Battles

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill establishes the Office of Alternative Energy Incentives to administer a program to provide incentives for Rural Electric Membership Corporations (REMCs) and their cooperatively owned power suppliers to develop alternative energy projects. It requires the Secretary of Commerce to appoint an individual to serve as the office's director. It establishes the Alternative Energy Incentive Fund to provide funds to corporations for use in developing alternative energy projects. It requires the office to administer the fund and to establish an account within the fund for each corporation.

The bill provides that not later than June 1 of each year, beginning in 2009, the Treasurer of State shall deposit into the fund an amount equal to 20% of the total Utility Receipts Taxes remitted to the state by corporations during the preceding calendar year. It provides that not later than July 1 of each year, beginning in 2009, the office shall: (1) allocate from the money deposited in the fund for the year; and (2) deposit into a corporation's account; a part of the total money deposited in the fund, based on the corporation's proportionate share of the total Utility Receipts Taxes remitted by all corporations during the preceding calendar year.

This bill sets limits on: (1) the maximum amount that may be credited to a corporation's account each year; and (2) the maximum balance that may accumulate in a corporation's account at any given time during a calendar year. It provides that not later than August 1 of each year, beginning in 2009, a corporation may apply to the office to have access to a certain percentage of the total funds in the corporation's account as of July 1 of the year, based on the percentage of the corporation's total sales from the provision of retail energy service during the preceding calendar year that was attributable to alternative energy projects. It allows two or more corporations that are members of the same cooperatively owned power supplier to develop alternative energy projects jointly. The bill sets forth limitations on how money drawn from a corporation's

account may be used. It also gives the office authority to adopt rules to implement the program. It makes an appropriation.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Office of Alternative Energy Incentives(OAEI):* This bill establishes the Office of Alternative Energy Incentives. The bill requires that the OAEI administer the Alternative Energy Incentive Fund (established in the bill), adopt rules governing the administration of the fund, and establish an account within the fund for each individual corporation. The increase in expenditures from this provision will be totally offset by the required reimbursement from the Alternative Energy Incentive Fund.

*Indiana Economic Development Corporation (IEDC):* The Office of Alternative Energy Incentives is to be administered by the IEDC. Any increase in expenditures to the IEDC will be totally offset by the required reimbursement from the Alternative Energy Incentive Fund.

*Office of Energy and Defense Development (OEDD):* The bill provides that the OAEI may consult with the OEDD in adopting the rules governing the administration of the fund. The current level of resources should be sufficient to cover any additional administrative costs.

**Explanation of State Revenues:** *Alternative Energy Incentive Fund:* This bill is estimated to decrease revenue to the state General Fund by \$2.2 M to \$3.1 M annually. Under current statute, URT collections are deposited in the state General Fund. The bill provides that 20% of the total URT remitted to the state by REMCs during the preceding calendar year must be deposited in the Alternative Energy Incentive Fund not later than June 1 of each year.

*Taxes:* The rate for the URT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana and is deposited in the state General Fund. The tax is paid in quarterly estimates due on the 20<sup>th</sup> of April, June, September, and December with the last quarterly estimate being the annual return due on April 15<sup>th</sup> for a calendar-year taxpayer.

**Background Information-** This bill establishes a program to provide financial incentives to REMCs to develop alternative energy projects. The bill clearly defines projects that classify as “alternative energy projects”. The provisions of this bill apply only to REMCs organized as local districts as defined in IC 8-1-13-23(b).

The bill requires that by July 1 of each year, the Treasurer of State is to allocate a fraction of the total URT collections to each corporation’s individual fund. The fraction is based on the corporation's proportionate share of Utility Receipts Taxes remitted by all corporations during the preceding calendar year. This bill also provides that the maximum amount that may be credited to a corporation's account each year is 20% of the amount of Utility Receipt Taxes remitted by the corporation in the preceding calendar year. It also sets a maximum limit that may accumulate in a corporation's account at any time at five times the amount of utility receipts taxes remitted by the corporation in the preceding calendar year.

By August 1 of each year, a corporation may access up to 40% of the funds in its account upon certifying to the OAEI that alternative energy projects accounted for 5% or less of the corporation's total sales from the provision of retail energy service during the preceding calendar year.

The bill also provides that a corporation may have access to 70% of the funds in its account upon certifying to the OAEI that alternative energy projects accounted for 5% to 10% of the corporation's total sales from the provision of retail energy service during the preceding calendar year.

A corporation may have access to 100% of the total funds in the corporation's account upon certifying to the OAEI that:

1. alternative energy projects accounted for at least 10% of the corporation's total sales from the provision of retail energy service during the preceding calendar year;
2. at least 50% of the sales attributed to alternative energy projects were made to Indiana customers; and
3. at least 50% of the alternative energy projects that:
  - (i) accounted for at least 10% of the corporation's total sales were for the provision of retail energy service during the preceding calendar year; and
  - (ii) are energy production or generating facilities located in Indiana.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** IEDC; OEDD.

**Local Agencies Affected:**

**Information Sources:** State Budget Agency, *Auditor's Trial Balance*; *Indiana Handbook of Taxes, Revenues and Appropriations*, Legislative Services Agency; Maureen Ferguson, Indiana Statewide Association of Rural Electric Cooperatives, 317-487-2228.

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